Government of India
Ministry of Finance
Department of Revenue
Central Board of Direct Taxes

North-Block, ITA-II, Division
New Delhi the 14.05.2015

Subject: - Procedure for Response to Arrear Demand By Taxpayer And Verification and Correction of Demand by AOs - regarding.

The CBDT vide Instruction No.4 of 2014 dated 7th April, 2014, inter-alia, prescribed Standard Operating Procedure for Verification and Correction of Demand available or uploaded by AOs in CPC Demand Portal. Further a facility has been made available to taxpayers on the E-filing website (www.incometaxindiaefiling.gov.in) to provide online responses to such demands. The actions required to be performed by the taxpayer and the AO are being consolidated in this circular as under:

2.   **Action To be performed by Taxpayers**

i.   Login to e-Filing website with User ID, Password, Date of Birth /Date of Incorporation and Captcha.

ii.   Go to **E-file** menu and click on **"Response to Outstanding Tax Demand"**.

iii.   Following details would be displayed.
- Assessment Year
- Section Code
- Demand Identification Number (DIN)
- Date on which demand is raised
- Outstanding demand amount
- Uploaded By
- Rectification Rights
- Response- Submit and View

iv.   Taxpayer must click on **"Submit"** link under Response column for the respective AY in order to submit the response. Taxpayer has to select one of the options from the radio button.
- Demand is correct
- Demand is partially correct
- Disagree with demand

v.   If taxpayer selects "Demand is correct", then a pop up is displayed as "If you confirm 'Demand is correct' then you cannot 'Disagree with the demand'. Click on **"Submit"**. A success message is displayed.
- If any refund is due, the outstanding demand along with interest will be adjusted against the refund due.
- In any other case taxpayer has to immediately pay the demand.

vi.   If taxpayer selects "Demand is partially correct", then "Amount which is correct" and "Amount which is incorrect" has to entered.

vii.   If taxpayer selects 'amount which is incorrect' then he should mandatorily fill one or more reasons for stating so as listed below:

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- ○ Demand has been already Paid –
  - Demand paid and Challan has CIN (Challan Identification Number)
  - Demand paid and Challan has no CIN
- ○ Demand has already been reduced by rectification/revision
- ○ Demand has already been reduced by Appellate Order but appeal effect has to be given by Department
- ○ Appeal has been filed and
  - Stay petition has been filed with
  - Stay has been granted by
  - Instalment has been granted by
- ○ Rectification / Revised Return has been filed at CPC
- ○ Rectification has been filed with Assessing Officer
- ○ Others

viii. Based on the reasons selected, the taxpayer needs to provide additional information as per the table given below.

Reason	Information to be provided	
Demand paid and Challan has CIN	BSR Code	
	Date of payment	
	Serial Number of challan	
	Amount	
	Remarks *(any comments of taxpayer can be included)*	
Demand paid and Challan has no CIN	Date of payment	
	Amount	
	Remarks *(any comments of taxpayer can be included)*	
	Upload copy of Challan	
Demand already reduced by rectification / Revision	Date of Order	
	Demand after rectification/ revision	
	Details of AO who has rectified or revised	
	Upload Rectification / Giving appeal effect order passed by AO	
Demand already reduced by Appellate Order but appeal effect to be given	Date of Order	
	Appellate Order passed by *(details of CIT (A) etc)*	
	Reference Number of Order	
Appeal has been filed: Stay petition has been filed	Date of filing of appeal	
	Appeal Pending with *(details of CIT (A) etc)*	
	Stay petition filed with *(details of office etc)*	
Appeal has been filed: Stay has been granted	Date of filing of appeal	
	Appeal Pending with	
	Stay granted by	
	Upload copy of Stay Order	

Appeal has been filed: Instalment has been granted	Date of filing of appeal	
	Appeal Pending with *(details of CIT (A) etc)*	
	Instalment granted by *(details of office etc)*	
	Upload copy of stay/instalment order	
Rectification / Revised Return filed at CPC	Filing Type	
	e-Filed Acknowledgement No.	
	Remarks *(any comments of taxpayer can be included)*	
	Upload Challan Copy	
	Upload TDS Certificate	
	Upload Letter requesting rectification copy	
	Upload Indemnity Bond	
Rectification filed with AO	Date of application	
	Remarks *(any comments of taxpayer can be included)*	
Other Reasons	Others *(any comments of taxpayer can be included)*	

ix. If taxpayer selects "Disagree with the Demand", then taxpayer must furnish the details of disagreement along with reasons. Details / Reasons are same as provided under "Demand is partially correct".

x. After the taxpayer submits the response the success screen would be displayed along with the Transaction ID.

xi. The taxpayers can click on 'View' link under Response column to view the response submitted. The following details are displayed:
   - Serial Number
   - Transaction ID
   - Date of Response
   - Response Type

(Note 1: Where the taxpayer has not registered on the Income Tax Department's e-filing website – www.incometaxindiaefiling.gov.in, he may do so to get details of outstanding demand and also to submit any response.

Note 2: Wherever the taxpayer finds it difficult to access Income Tax Department Website, he or she may make necessary application to the Assessing Officer along with above referred details as applicable in this case.

Note 3: In case of individual taxpayers if CIN is not available or payment is made prior to the period of introduction of CIN, the taxpayer may submit the documents as referred in para 4 .1 or 4.2)

3. Action on the Part of the Department

The Assessing Officer or CPC Bangalore after verification should reduce/remove/confirm the demand in appropriate cases as per procedure outlined in para 4 below and in accordance with earlier instructions issued by CBDT. However, following cases are to be verified on priority:

a) Taxpayer has furnished information in response to notice u/s 245 of the Act; or
b) Taxpayer has requested for reduction/removal of demand; or
c) Information regarding demand reduction/removal is available in Department Records; or
d) Details are already available in the system, such as additional TDS credits reported by Deductor in case of earlier TDS mismatch.

4. Handling Different Scenarios during Verification and Confirmation of Demand:

The Assessing Officer (AO) should handle different scenarios during verification and confirmation of demand in following manner:

4.1 Demand or tax has been paid:
(a) If the taxpayer's reply or Departmental records show that demand or tax has already been paid and challan (challan identification number (CIN)) is available on the system:
i. The AO should reduce the demand by posting the challan or passing rectification order u/s 154 on the system.

ii. If the demand is prior to 01/04/2010, the demand has to be reduced directly on the CPC-FAS system.
(b) If CIN is not available or payment is made prior to the period of introduction of CIN, the reduction can be made only in case of **Individuals and HUFs** provided outstanding demand does not exceed **Rs.1,00,000 for that AY**. The AO should follow the steps as under:

i. The reduction can be made after obtaining of the document showing evidence of payment in form of taxpayer counterfoil or bank certificate or any communication from Department in respect of payment or adjustment of refund. In case where taxpayer is a senior citizen and taxpayer is not able to obtain bank certificate as the place of payment of tax is different from the current place of taxpayer, the AO should obtain the certificate from the bank directly.

ii. In case the outstanding demand is more than Rs.25000/- for that AY irrespective of the quantum of demand being reduced under paragraph 4.1.(b).i. above, the AO should obtain an indemnity bond (in the format given in *Annexure A)* from the taxpayer.

iii. Additionally, in case the demand being reduced under paragraph 4.1.(b).i. above exceeds Rs.50,000/- for that AY for the assessee, besides obtaining the indemnity bond, approval of Range Head should be taken on file before removing/reducing the demand.

iv. If the payment relates to mismatch of advance tax or self assessment tax, order u/s 154 of the Act needs to be passed.

4.2 Demand due to TDS Mismatch:

(a) If the taxpayer's reply or Departmental records show that the demand is on account of TDS mismatch and TDS credits are available in the system, the AO should follow steps as under:

i. The AO should reduce the demand by passing rectification order u/s 154 on the system after taking into account the TDS credits available on the system.

ii.   If the demand is prior to 01/04/2010, the demand has to be reduced directly on the CPC-FAS system after rectification u/s 154.

(b)   If the credits are not available in 26AS: The reduction can be done only in the cases of **Individuals and HUFs**. Further, the amount of reduction should not exceed **Rs.1,00,000 for that AY** and AO should take following steps:

i.   AO should pass order u/s 154 manually after obtaining the TDS certificate from the assessee on the basis of which claim has been made.

ii.   In case, the outstanding demand is more than Rs.25,000 for that AY, irrespective of the quantum of demand being reduced, the AO should obtain an indemnity bond (in the format given in *Annexure A*)

iii.   Additionally, in case the demand being reduced under paragraph 4.2.(b).i above, exceeds Rs.50,000/- for that AY for the assessee, besides obtaining the indemnity bond, approval of Range Head should be taken on file before removing/reducing the demand.

4.3   Demand already reduced or action is pending:

(a)   If the taxpayer's reply or Departmental records show that demand has already been reduced by way of an order (rectification order, appeal effect order etc.), the demand has to be reduced directly on the CPC-FAS system.

(b)   In case where rectification or giving effect order to reduce demand is pending, the same should be completed and revised demand should be reflected.

(c)   It is also clarified that after taking action as per para 4.1 or 4.2, if any refund becomes due to the taxpayer, the same may also be issued.

Enclosure: as above

(Rohit Garg)
Deputy Secretary to the Government of India

(F.No.225/151/2014/ITA.II)

Copy to:

1. Chairperson and all Members of CBDT
2. Pr.Director General of Income Tax (Systems)
3. All Officers and Technical Sections of CBDT
4. Director of Income tax (Inv.)/IT & Audit/Vigilance/Inv./RSP&PR/Recovery
5. Director of Income tax (O&MS), New Delhi
6. ITCC Division of CBDT(3 copies)
7. All Pr.CCIT/Pr.DGIT/CCIT/DGIT/CIT/DIT
8. Data Base Cell-for placing it on www.irsofficersonline.gov.in
9. DIT(S)-4 for placing it on www.incometaxindia.gov.in
10. Guard File

(Rohit Garg)
Deputy Secretary to the Government of India

Format for Indemnity Bond *(to be typed on non-judicial Stamp Paper of Rs. 100)*:

INDEMNITY BOND

This Bond of indemnity is made this _____*(Date of Indemnity Bond)* in favour of Government of India (Department of Finance) i.e. Income Tax Department by Mr./ Mrs/Ms

_____(Name of the *Indemnifier)* Son of / Daughter of/ Wife of

_____ on behalf of self or

M/s_____

PAN_____

Status_____

WHEREAS This is to undertake:

1. That I had filed my Income Tax Return for the Assessment Year _____.

2. That TDS claimed in the return of Rs. _____ belongs to me as per TDS certificates mentioned below

   Name of Deductor, TAN of deductor, Date of TDS certificate, Amount

   a. _____

   b. _____

   OR

   That Challan(s) paid for Rs. _____ belongs to me as given

below:

   Date of Payment, Bank through which payment made, Amount

   a. _____

   b. _____

3. That in case it is found that the TDS certificates / Challan does not belong to me then the executor of this bond indemnify the Government of India (Ministry of Finance) for the loss, claim and excess amount of refund, if any, in all respect.

The executor of this bond indemnifies the government of India (Ministry of Finance) and keep it indemnified against all costs, damages, charges and expenses, excess amount of refund, interest, reduction in demand and also against all sum/money, whether for damages, costs, charges, expenses or otherwise.

In witness where of this bond is executed today this _____ (Date).

(................)

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